

EXECUTIVE SESSION

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MONDAY, SEPTEMBER 18, 1978

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United States Senate,
Committee on Finance,
Washington, D.C.

The Committee met, pursuant to notice, at 10:20 a.m. in room 2221 Dirksen Senate Office Building, Hon. Russell B. Long (Chairman of the Committee) presiding.

Present: Senators Long, Talmadge, Byrd, Nelson, Bentsen, Moynihan, Curtis, Hansen, Dole, Packwood, Roth, Laxalt, and Danforth.

The Chairman. I would suggest that we call this meeting to order.

I thought that we were going to vote on the Kemp-Roth amendment. As far as I am concerned, I am ready to vote without further debate. I assume that Mr. Roth thinks also that is true and everything that can be said has been said.

Do you want to add additional words, Senator Roth?

Senator Roth. Mr. Chairman, it is true I want to help expedite the proceedings. I do think that this is, in many ways, the most important vote that is going to be made during this session of the Finance Committee and, for that reason, I do want to take a few minutes to state once again why I think that the

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1 Roth-Kemp across-the-board tax cut is needed to get our country
2 moving once again.

3 The Chairman. Senator Roth, may I ask this? That we have
4 a limitation, as we do on the Floor. We could easily debate this
5 all morning and all afternoon.

6 Is it all right with you that we have a limitation of, say,
7 thirty minutes for, thirty minutes against, and then we will vote.
8 Is that all right with you?

9 If you want more time, we will take more, but it seems to
10 me -- I know you make a good case for your proposal and there is
11 a lot of support for it, but I would hope -- I think the case has
12 been pretty well made.

13 Senator Packwood. If I could ask a question, before we vote
14 on this, I am curious as to what has been the outcome of the staff
15 study of the budget rules and the right of this Committee to
16 recommend second year or third year tax cuts, whether it be Roth-
17 kemp or otherwise?

18 Mr. Stern. If you like, I would go into that.

19 Senator Packwood. I do not want to cut into Senator Roth's
20 time. I am curious as to whether there would be a point of order
21 raised about his tax cut or any second or third year tax cut that
22 we offer.

23 Mr. Stern. I could summarize it as follows. The Budget Act
24 has a section, Section 303. 303(a) makes the general point that
25 a point of order may be raised against a provision that raises or

lowers revenues. That is the general rule.

Along comes the exception, and it is said that an exception is made in the case of a bill or resolution increasing or decreasing revenues which first become effective in a fiscal year following the fiscal year to which the current resolution applies.

Senator Packwood. The third year?

Mr. Stern. It does not say what the concurrent resolution is. The concurrent resolution here is the same as in the general rule, then the general rule does not mean anything, because the exception applies in every case where the general rule applies.

If you think it means something else, perhaps it never applies. Neither of those seem to make much sense.

Senator Packwood. The exception you read is the third year, the year after the next fiscal year?

Mr. Stern. On depends on what you mean -- the fiscal year to which the concurrent resolution applies? What concurrent resolution are we talking about?

Senator Packwood. All the concurrent resolutions apply to the next fiscal year, do they not? There are no other concurrent resolutions that apply to any year other than the next fiscal year.

Mr. Stern. Yes, that is literally true, but we may be talking about a restricted period of time. In other words, there are two prevalent opinions, now. One, the House Budget Committee's opinion and the other is the Senate Budget Committee's opinion.

The House says that that particular period of time only

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1 obtains between October 1st of the year and May 15th of the
2 following year. That is the time that they consider the next
3 fiscal year's resolution, not yet acted on, and therefore you
4 ought to close that year until there is a resolution.

5 Senator Packwood. Say that again?

6 Mr. Stern. The point appears to be, you should not be
7 passing revenue legislation affecting the upcoming fiscal year,
8 at least, while the budget process itself has not produced a
9 figure.

10 The question is, what is the restriction on that. Does that
11 mean you never could do anything in any future year? Apparently
12 not, because the Rules Committee Report on the Budget bill says
13 that an exception was made precisely so you could stage future
14 revenue legislation cuts, for example.

15 So how are you to make any sense of two positions that do
16 not seem to make any sense together? The way the House Budget
17 Committee does it, they arbitrarily decided that this must mean
18 that beginning with October 1st -- let's say October 1st, 1978,
19 you can no longer act on anything concerning fiscal year 1980
20 and you cannot do it October 1st 1978 and May 15th 1979.

21 The Senate Budget Committee apparently agreed with that
22 originally but has since gone through an interpretation that says
23 there is always a year in which you cannot do anything. For
24 example, that is now fiscal year 1980; when the resolution is
25 acted on in fiscal year 1980, that becomes 1981.

1 Senator Packwood. 1981, you say?

2 Mr. Stern. 1980, at this moment.

3 Senator Packwood. Nothing beyond the Budget Resolution for
4 this year?

5 Mr. Stern. For that one year, 1980.

6 Senator Packwood. What did the Senate Budget Committee say
7 about fiscal 1981?

8 Mr. Stern. At this point, you can act on fiscal year 1981,
9 not 1980.

10 Senator Packwood. And anything beyond 1981?

11 Mr. Stern. anything beyond 1981.

12 Senator Packwood. We are limited by that interpretation to
13 the budget deficit agreed by the House and Senate for the fiscal
14 year starting October 1st, right?

15 Mr. Stern. That says -- I guess the position is, in effect,
16 until the Congress has passed the first Budget Resolution for
17 fiscal year 1980, you cannot act on 1981 beginning at the time you
18 acted on the first Budget Resolution for 1979.

19 There is always one year when you cannot act under the Senate
20 Budget Committee interpretation.

21 Senator Packwood. You lost me.

22 Mr. Stern. For reasons I do not understand, they have
23 interpreted that provision -- the Senate Budget Committee has
24 interpreted the provision as meaning that there is always one
25 year in which you cannot act on revenues.

1 Senator Packwood. Which year is it?

2 MR. Stern. At the moment, that happens to be fiscal year 1980.

3 Senator Hansen. Beginning October 1?

4 Mr. Stern. October 1, 1979.

5 Senator Packwood. We could not pass, under that provision, a
6 second-year tax cut?

7 Mr. Stern. That is right. A third year you can, but not a
8 second year.

9 The Chairman. It seems to me that the Kemp-Roth proposal has
10 been discussed so broadly on television shows and commentators
11 and the editorial writers and various public interest groups of
12 all political shades of the rainbow, so when something has the
13 wide discussion that such a proposal has received among the people,
14 the Congress ought to be privileged to vote on this and the Senate
15 ought to be privileged to vote on it. If it takes a waiver of
16 the Budget Resolution, then get a waiver.

17 Otherwise, of course, the vote would have to come on the motion
18 to waive.

19 Senator Packwood. Mr. Chairman, I think we ought to be
20 careful there. Bill has worked his tail off for a year. You are
21 right; there has been a lot of publicity. But I would hate to
22 establish a precedent that, in order to consider an off-year tax
23 cut, you have to get a waiver.

24 The Chairman. As far as I am concerned, I am not going to vote
25 for the proposal here in the Committee, but if the Senator had a

1 majority in obtaining a waiver for him so it can be voted on.

2 Senator Moynihan?

3 Senator Moynihan. Mr. Chairman, I only wish to state that
4 it is very clear that we are in something of an impasse with the
5 Budget Committee and that their interpretation of the present
6 law, it defies common sense and it certainly suggests that it was
7 not the intent of Congress when the Budget Act was adopted, but
8 that impasse was there.

9 Someone suggested that we get Covington and Burling and they
10 might fix it up for us.

11 It seems to me that we ought to vote on Senator Roth's
12 proposal, as if this dispute were not taking place. It has to
13 be resolved, and it is going to take some real attention from this
14 Committee, and I think we cannot let the Budget Committees'
15 present interpretation go unchallenged at the moment.

16 If you try to read what the staff has put together, it is
17 not resolved.

18 Senator Curtis. I concur with Senator Moynihan. I think
19 there is a very basic question here. It is not Committee pride, or
20 anything else, but the Committee's having jurisdiction of the subject
21 matter, we have to work in detail on these things and come up with
22 an answer or abdicate. And I think that the Finance Committee has
23 a responsibility and they ought to assert it.

24 Mr. Chairman, in dividing the time for debate, I do not care
25 to make any argument, but I would like to take a couple of minutes

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1 when Senator Roth is through to ask the staff some questions on
2 revenue.

3 The Chairman. Then why do we not just agree we will have
4 about thirty minutes per side and then we will vote, hopefully
5 vote, no later than 11:30.

6 Senator Roth. Mr. Chairman, that is fine with me. I believe
7 that we can handle it in that time.

8 I would say that I expect that I may ask for more than one
9 vote, but they would be consecutive and would not be time-consum-
10 ing, if that would not be satisfactory to you.

11 The Chairman. Mr. Stern, keep the time as best you can and
12 Mr. Roth will make his presentation in chief, right now.

13 Senator Roth. Mr. Chairman, I feel that it is very impor-
14 tant that we take off in a new direction in this Committee as
15 far as tax revenues are concerned, for two basic reasons. One
16 of them is, of course, I think, much like Jack Kennedy said in the
17 60's, that we ought to relieve the tax drag in order to get the
18 economy moving.

19 A second reason that I want to deal with first is the fact
20 that I think it is only fair, it is only equitable, that we take
21 some substantial steps to relieve the tax burden of the working
22 people of this country. What the House adopted means a tax
23 increase for practically all Americans next year.

24 Last week in the Senate Finance Committee we discussed about
25 sweetening the pie some, but primarily what we were talking about

1 was enlarging the earned income credit on the low end of the
2 economic scale -- and certainly they are having problems of
3 meeting the increased costs of inflation and Social Security.

4 We also talked about extending capital gains beyond a 50
5 percent deduction to a 70 percent exception. What concerns me
6 about that, Mr. Chairman, is I think we are opening ourselves
7 to the attack that we are trying to help the poor and we are try-
8 ing to help the rich -- because the capital gains is primarily an
9 item that is of assistance to the more affluent -- but, once
10 again, we have forgotten about those in the middle class, and I
11 think that we ought to stop and look at exactly what has happened
12 to the working people of this country.

13 In my judgment it is not enough to talk about trying to pro-
14 tect the working people against one year's increase in taxes, and
15 that has been the whole thrust of our discussions, that we should
16 offset for 1979 the increased Social Security taxes, the increased
17 inflation taxes. Mr. Chairman, in my judgment, that entirely over-
18 looks what has happened to the American people during the last
19 ten years.

20 Mr. Chairman, on this one chart -- I hope that it can be
21 seen -- Mr. Chairman, I would like to show you exactly what is
22 happening to working Americans.

23 As Henry Bellmon pointed out in the Budget Resolution -- and
24 he is the Ranking Member of the Budget Committee -- the average
25 person has undergone a very substantial increase and, during the

1 next ten years will continue to be paying much higher taxes
2 automatically unless this Committee here decides to do something
3 about it today.

4 We have taken, for purposes of illustration, a man or a woman
5 who earns \$10,000 today or \$20,000 or \$30,000 -- and according
6 to the Roper poll, the American people consider those in the
7 \$20,000 to \$30,000 bracket income middle America. We can argue
8 that, but that is how they perceive it.

9 Let's take the case of a guy who makes \$10,000 today. The
10 equivalent of purchasing power of \$10,000 in 1967 was \$4,250, and
11 that man paid only \$350 in taxes in '67 whereas he pays \$1,096
12 in 1978.

13 As far as the percentage of his income, this goes to Federal
14 taxes, 8.3 percent in '67; it goes up to 10.9 percent in 1978
15 and, if you feed in the cost of inflation for the next five years
16 that people are predicting, his taxes are going to go from 10.9
17 percentage points to roughly 50.1 percent.

18 And that five years, Mr. Chairman, that is roughly a 50
19 percent increase over what he is paying now, or roughly an 80
20 percent increase -- they will pay 80 percent more taxes over what
21 he paid in 1967.

22 Let's take a person who is making \$20,000. At one time, that
23 was considered a pretty good income, but to be able to buy the
24 same clothes, the same car, the same house, whatever else you have,
25 in 1967, you only had to have an income of \$8,500. And if you

1 look five years down the road, his income is going to go to
2 \$28,000, and that, of course, means that these people are auto-
3 matically being pushed up into higher tax brackets.

4 In 1967, a man who made \$8,500 paid 12.5 percent in Federal
5 taxes, but that has jumped up to 16.2 percent -- a 4 percent real
6 increase in taxes, or roughly a 33 percentage increase.

7 That took eleven years to increase 33 percent from 1967 to
8 1978. Now it is predicted that in five years -- not eleven years
9 because of the galloping rate of inflation, because of the
10 increase in Social Security taxes, that by 1983 he will be paying
11 20.2 percent.

12 That is the reason that we have a tax revolt. That is the
13 reason that middle America is made, because they see that their
14 taxes are going up substantially year by year, and when we talk
15 about making them whole for one year, that is not selling back
16 home. I will tell you, it is not selling in my state of Delaware.

17 Here is going through the picture of a family of four earn-
18 ing \$30,000, exactly the same situation. The fact of the matter
19 is that if we go the route that we were talking about last week
20 we are helping those on the low end of the economic scale. If we
21 go to the \$12,000 earned income tax credit, along the lines
22 suggested by the distinguished Chairman; we are also talking
23 about liberalizing the capital gains, and that would, as I say,
24 would help the very affluent and the very rich.

25 But what are we going to do about those in between?

1 As I said, we talked about offsetting 1979, but of course,
2 if we offset 1979 only, we are doing nothing about '78, so that
3 these people in the '78 brackets will all be suffering a substan-
4 tial tax increase.

5 So my first point, Mr. Chairman, is, in fairness, in justice
6 to the working people, the brightest, the ones working up the
7 economic scale that are trying to do something, we are penalizing
8 them for their success, and that is contrary to the American
9 dream and the American idea that we have a right to improve our
10 economic picture.

11 What those figures show is that even though an individual in
12 the private sector is lucky enough to have cost of living increases
13 his standard of living is going to go down because he has to pay
14 higher taxes.

15 The Chairman. Could I ask you a question about your chart?
16 The Social Security tax figure you have in there, is that just the
17 part taken out of the workers' checks, or is that the part that
18 is taken out of both ends, employer plus the employee part of it.
19 Senator Roth. Just the worker, Mr. Chairman.

20 The Chairman. I think, in fairness, the Social Security tax
21 really is a tax he pays on both ends as a consumer and as a
22 producer, so there are really more taxes.

23 Senator Roth. That is a valid point.

24 The point that I am trying to make is, the reason that we
25 have this tax revolt is that middle America finds himself

1 down the economic scale, paying higher taxes with the same purchas-
2 ing power that has been going on for eleven years, and we see it
3 accelerating for two reasons now: because of the rapid rate of
4 inflation and, of course, because of the steps that we took with
5 respect to Social Security.

6 The second principle point that I would like to make, Mr.
7 Chairman, as to why I think that the Roth-Kemp should be adopted
8 by this Finance Committee is that I feel that it would be a very
9 important, long-term signal to the private sector that we are
10 moving in a new direction, that we are going -- not just for one
11 year, but over several years, lighten the tax burden -- and, by
12 acting now, we are creating certainty. We are creating confidence
13 in the private sector so people, once again, hopefully will begin
14 saving, they will begin investing in new ventures. It will
15 create jobs in the private sector. It will help modernize our
16 industry so it is more competitive with our foreign competitors
17 in Japan and in Europe; and it will have what you and I agree on,
18 some very important feedback, something that is generally recog-
19 nized in the past.

20 I cannot underscore too importantly that the kind of tax cut
21 that we give will have a great impact on the economy and the
22 Roth-Kemp is intended to provide some buoyancy, some growth, that
23 once again will establish some confidence and hope in the private
24 sector.

25 Now, Mr. Chairman, I do not think anyone can say exactly how

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1 much revenue it will be, how much feedback. You talk to ten
2 different economists and you get ten different opinions.

3 But the vast majority agree that a well-structured tax cut
4 will influence the supply side and not only demand, as some of the
5 cuts in the past have done. I think that is one reason it is very
6 important to move in this direction.

7 Mr. Chairman, a lot of people are trying to argue that the
8 Roth-Kemp is inflationary. Let me make these points on that
9 argument.

10 Number one, it is always very interesting, that point of view
11 as espoused by those who run down and vote for every spending
12 program. They do not seem to recognize that spending is infla-
13 tionary.

14 Number one, the Roth-Kemp across-the-board tax cut only
15 returns to the private sector the additional revenue that we will
16 be taking out of the private sector through inflation and through
17 Social Security. You can argue the figures roughly, but a figure
18 around \$284 billion in the next five years.

19 So you cannot argue that it is a tax cut that is inflationary
20 because what I am saying is that all we are saying is putting back
21 into the private sector that additional money that we will be
22 taking out.

23 Secondly, the Roth-Kemp, of course, has to live within the
24 Budget restraints and we have, presumably, a limitation of \$21
25 billion tax cuts permitted. What we are trying to decide what that

1 mix is. Today, I am proposing that we are modifying the Roth-
2 Kemp so that the first year, instead of being the 11 percent that
3 we originally proposed, it will only be 8 percent, so that we
4 are living within the Budget Resolution. There is still room to
5 do some of these other things, such as capital gains, that need
6 to be done to help the formation of capital.

7 So we will be living within the Budget Resolution in the
8 first year.

9 I might point out that even Mr. Heller, who has criticized
10 this program, has said we need at least a \$15 billion to \$20
11 billion tax cut this year, if not \$25 billion. So, depending on
12 monetary policy. There is another reason, a very important
13 reason, why this program is anti-inflationary, and that was
14 recognized, I thought very well, in the Budget Resolution by Henry
15 Bellmon who pointed out that the practice in the past, the
16 practice in the past has been to plan ahead and structure spend-
17 ing, but never do anything on the revenue side.

18 And, as he pointed out, it only makes good sense that we
19 begin planning ahead on revenue. And if we tell the American
20 people, if we tell the Congress, if we tell the Budget Committee,
21 that we are going to return so much of these taxes to the
22 American people -- if such a commitment is made, that is going to
23 impose some discipline, some discipline in the budgetary procedures
24 of this Congress, and that, in itself, is anti-inflationary and
25 could, in my judgment, be one of the most beneficial effects of

1 the Roth-Kemp legislation.

2 I might point out that a number of people, I have also said
3 that the Congress should do something on the spending side. Alan
4 Greenspan, who is a strong supporter of the Roth-Kemp proposal, has
5 suggested, much like President Carter, that on the spending side,
6 we should have a goal to cut down the percentage of GNP that is
7 going to be spent in the public sector.

8 It is interesting, along the lines of what Alan Greenspan
9 proposed, the Budget Committee is beginning to do. They have laid
10 out a Budget for the next five years which would reduce, if
11 followed, Federal spending from roughly a 23 percent to 20 percent,
12 so that they are beginning to impose from the spending side some
13 of thos restraints.

14 It seems to me, by our cutting revenues consistent with
15 that, we are bringing more discipline and forward planning than
16 we have ever had before in the Congress.

17 Finally, Mr. Chairman, I think that we ought to recognize
18 that the economy is not doing well. Just recently the Wharton
19 Econometric Forecasting Associates pointed out that for the next
20 few years it is going to be a sluggish, stagnant economy and they
21 make this interesting observation. The Wharton Economists also
22 predicted that the Social Security tax increases scheduled for
23 1981 -- and I quote -- "Would almost certainly forestall a
24 recovery of growth and exacerbate the inflation problems unless
25 they are offset by further tax cuts elsewhere."

1 The Secretary of Treasury, Mr. Blumenthal, has come before
2 this Committee and admitted that he will probably be back next
3 year and the following year to propose tax changes, but it just
4 seems to me that it would do our economy great good and would be
5 a very positive factor if we did not stumble year by year, so we
6 could always report new goodies to the people back home, but tell
7 the American people right now, tell the spenders in the Budget
8 Committee, that we are going to propose a tax cut that will do
9 the following three things. This is really what the Roth-Kemp
10 tax cut is all about.

11 Number one, to reduce the tax drag across-the-board. It is
12 equitable, because that is the basis on which they pay.

13 Secondly, that the target in three or four years, as the
14 case may be, will be to reduce the marginal tax rates from 14 and
15 70 percent on the high side to 8 and 50 percent, a very substan-
16 tial change, one that the President himself at least indicated
17 that he was thinking about.

18 And third -- and I think this is the most important part of
19 the package -- that we phase it in over a period of several years
20 so that there is knowledge now, there is certainty, as to where
21 we are going and we do not hold the American people up to the
22 last minute as to what is going to happen on the revenue side.

23 So, Mr. Chairman, what I intend to propose is possibly three
24 votes. I am hopeful the course of the first vote will prevail,
25 but in the event it does not, we will try two alternatives.

1 As I mentioned, the original Roth-Kemp proposal was 11 percent
2 across the board for three years. That is impractical under the
3 budget restraints, so we will modify that on the first vote to a
4 three-year package of 8 percent the first year, 10 percent the
5 second year, 15 percent the third year, which would total to the
6 33 percent across the board and achieve the target of 8 and 50.

7 I happen to think that is preferable, because that means a
8 real tax cut to the American people.

9 If I do not succeed in that, I would then ask, Mr. Chairman,
10 for a vote on a four-year phasing, starting again at 8 percent
11 and following it through the following years of 8, 8, 8, 8, so
12 it would be roughly between 32 and 33 percent.

13 Finally, Mr. Chairman, if that for any reason would not
14 prevail, I would hope that the Senate Finance Committee would at
15 least take steps to offset the increases of 1978 and 1979, as shown
16 on that board, and I would urge then that we adopt the first two
17 years of 8 percent, 8 percent, as a third alternative.

18 In closing, Mr. Chairman -- and I hope I have not taken too
19 long -- I just think that this is one of the rare opportunities
20 where this Finance Committee and this Congress can provide some
21 very strong leadership in moving the country back in the right
22 direction. I think we have followed the policies of those people
23 who have talked about big spending, big deficits for many years.
24 Those economists, their policies have become bankrupt. We are
25 faced with stagflation. We are not creating the jobs in the

1 private sector that we could.

2 As one young black business leader said to me, you know, after
3 all these years, we finally have a ticket to get on the railroad
4 and we do not intend to let that railroad stop now that we have
5 a ticket to get on it. And what we are trying to provide here is
6 the engine, the movement forward, so that all people can share
7 better in the American Dream.

8 I would urge the adoption of the Roth-Kemp amendment.

9 Senator Curtis. Mr. Chairman?

10 The Chairman. Senator Curtis?

11 Senator Curtis. Before I ask a question, I want to commend
12 the distinguished Senator from Delaware for a persuasive and
13 well-stated argument.

14 I would like to ask the staff this: what is the amount of
15 the cost of the House bill for a full calendar year, with no
16 feedback?

17 Mr. Shapiro. \$16.3 billion.

18 Senator Curtis. How much is the amount that the Finance
19 Committee has been working with, informally at least, as to what
20 the total bill might contain?

21 Mr. Shapiro. On a calendar year basis?

22 Senator Curtis. Full calendar year.

23 Mr. Shapiro. You are talking about the whole bill? We have
24 just been talking about the individual so far.

25 Senator Curtis. Give it to me both ways.

1 Mr. Shapiro. On the individual, you talk about adding
2 approximately \$3.8 billion total, made up of \$1.8 earned income
3 credit and \$2 billion for additional rate reductions, so it is
4 adding \$3.8 billion over the House. The House individual is
5 approximately \$10.4 billion, so what you are talking about is
6 adding \$3.8 billion to the \$10.4 billion for \$14.2 billion,
7 individual.

8 Senator Curtis. \$14.2 billion for individuals?

9 Mr. Shapiro. Yes.

10 Senator Curtis. That includes no rate reduction other than
11 what is in the House bill?

12 Mr. Shapiro. No. That would include \$3.8 billion -- \$2
13 billion in rate reductions over the House bill rate reductions,
14 plus the earned income credit.

15 Senator Curtis. What would the Roth-Kemp bill cost the first
16 full calendar year on the basis of the 8 percent reduction?

17 Mr. Shapiro. That would be approximately \$20 billion. This
18 is on the calendar year. You have asked everything on the calendar
19 year.

20 Senator Curtis. Yes.

21 An 8 percent rate reduction totals \$20 billion?

22 Mr. Shapiro. Yes.

23 Senator Curtis. That is without any feedback?

24 Mr. Shapiro. That is correct, on the same estimating basis
25 that the House bill is based on.

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1 Senator Curtis. Do you have an econometric figures on feed-
2 back for any of those figures that you gave me on the House bill
3 on the \$3.8 billion of the Finance Committee consideration and
4 the Roth-Kemp?

5 Mr. Shapiro. We do have figures on the House bill, Senator.
6 These were presented to the Committee the first session. You
7 asked for additional data and we supplied those to you as well.

8 Let me make one observation in general. When you are
9 talking about the macro-economic effect of a tax cut, when the
10 Administration formulates its budget, it takes into account all
11 spending programs in the tax cut, and when they look at it from a
12 macro-standpoint, the revenue picture, the tax cut has been taken
13 into account, so that if you take this same proposal the Adminis-
14 tration sent up in terms of the total amount and you modify it
15 by shifting the tax cuts a little here, a little there, and not
16 change the total to a significant extent, you would not change
17 the feedback in the Administration proposal.

18 The House bill, as you know, revised the Administration's
19 proposal; where the Administration originally submitted a \$25 bil-
20 lion tax cut, the House bill reduced that to \$15 billion, which
21 required revised econometric models.

22 So that those based on the House bill, we were able to obtain
23 and submit to the Committee in your first session.

24 Senator Curtis. Do you have any such figures on the Roth
25 bill at 8 percent?

1 Mr. Shapiro. We do not have those on the Roth proposal.

2 Senator Curtis. I think that the Roth bill does what we want
3 to do and that is put an adequate portion of relief in those
4 portions of our economy and have an adequate feedback. That is
5 all, Mr. Chairman.

6 Senator Roth. Mr. Chairman, I would point out that accord-
7 ing to the Joint Committee on Taxation, the rate reduction, with
8 feedback, for a full year would be roughly \$12 billion -- I mean,
9 the rate reduction would be \$12 billion.

10 Mr. Shapiro. That is not with feedback, but on a fiscal year
11 basis, taking a full year calendar reduction and putting it on a
12 fiscal year basis.

13 Senator Roth. That is correct.

14 During the fiscal 1979, according to CBO, the Roth tax cut
15 would amount to a loss of revenue of \$10 billion.

16 The Chairman. Senator Bentsen?

17 Senator Bentsen. Mr. Chairman, our colleague has made a
18 proposal that is almost irresistibly attractive, but when he states
19 that you ask ten different economists, you get ten different
20 opinions, that is not the way I remember it before the Finance
21 Committee and before the Tax Committee. We have had innumerable
22 comments. They are ten to one in opposition to Roth-Kemp.

23 We are talking about a \$100 billion tax cut which would
24 obviously overwhelm our supply capacity in this country and would
25 lead to roaring inflation. It would increase consumer prices. It

1 would run up interest rates and substantially increase the
2 Federal deficit.

3 A modest tax cut is one that we can handle at this time.
4 We had Herbert Stein testify before us, who is Chairman of the
5 Council of Economic Advisers for President Nixon. He said, to
6 try to compare this to 1964 was misleading, because in 1964 you
7 had relative price stability. At this time, we have substantial
8 inflation.

9 He further stated that it would be rash to raise the Federal
10 deficit even temporarily.

11 Mr. Chairman, we have made substantial headway in this
12 Congress in cutting the deficit for '79. The variance between the
13 two Budget Resolutions of some \$11 billion I recall that has been
14 cut, they are estimating we are going to have a deficit of \$62
15 billion, and now they are talking about something that approaches
16 \$29 billion.

17 But we are proceeding in a responsible way.

18 Charles Schultze said that Roth-Kemp would lead to a
19 disastrous round of inflation, that there is no way that this
20 kind of a cumulative tax cut over three years can restore as much
21 slack in tax collections as it takes away, and it has to lead to
22 a very substantial increase in the deficit.

23 Bill Miller in testifying before us said it would be highly
24 inflationary.

25 Former Secretary of the Treasury Henry Fowler said it would

1 be a serious mistake.

2 Mr. Heller, who was Chairman at the time of the Kennedy-
3 Johnson tax cuts said it would be a serious mistake.

4 Now, Business Week in its editorial -- that is hardly a
5 bastion of liberalism -- said that a great many people (in the
6 United States seem to believe in miracles and magic, especially
7 where Federal finances are concerned. To such people, the Kemp-
8 Roth proposal will look totally plausible, and very attractive,
9 but, in fact, it would be a completely irresponsible way to
10 approach the Federal budget problems. It would generate an infla-
11 tion that would destroy the value of the currency.

12 Kemp-Roth would add \$100 billion to a deficit that is already
13 dangerously swollen. It would touch off an inflationary explosion
14 that would wreck the country and impoverish everybody on a fixed
15 income.

16 If taxpayers want to revolt and cut taxes, they must force
17 sizable cuts in spending first. We are bringing about some cuts
18 in spending, and we are going to bring about a cut in our taxes,
19 and I think we are going to do something to help capital formation
20 in this country.

21 But I think that we have to approach it on something that fits
22 the economy at the present time, an economy that already is
23 burdened by inflation, an economy that has about 86 percent of
24 its productive capacity now utilized and the least productive part
25 of its capacity not in operation.

1 The more you push to full utilization of productive capacity,
2 obviously, the more pressure you put on inflation.

3 The cruelest tax we have of all is inflation, and particularly
4 for people on fixed incomes.

5 I, for one, who have fought so long and hard for tax cuts
6 and capital formation feel that this is an excessive manner in
7 which to do it, and I think it would lead to a very substantial
8 increase in inflation that already is the number one problem in
9 this country.

10 The Chairman. I fail to see why the first year tax-cut
11 under the Kemp-Roth amendment would do any more to stimulate the
12 economy than what we are thinking about doing here in this
13 Committee.

14 Senator Bentsen. We are talking about a three-year tax cut,
15 and I am referring to a three-year cumulative tax cut.

16 The Chairman. The point I had in mind, the first-year tax
17 cut, I fail to see how that would do any more to stimulate the
18 economy than the kind of thing that we are doing anyway, where
19 we would cut everybody's taxes and also have a major cut for
20 capital gains.

21 Now, the second and third or fourth years' tax cuts departs
22 from the way that we have been doing business in that we are
23 assuming we will be able to afford those cuts and other priorities
24 will not claim the money. That, I find, very doubtful.

25 It is fine to be on the Finance Committee where you have all

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1 the taxes and assume that the priority would be reducing taxes,
2 but in areas where they manage those programs, people tend to
3 arrive at a different conclusion, and some of our own folks support
4 them.

5 I would like the Treasury to comment on that.

6 Mr. Lubick. Mr. Chairman, Mr. Sunley testified before your
7 Committee on this subject and I think we agree with Senator
8 Bentsen's position that any increase in the deficit beyond that
9 projected would be seriously inflationary and we would find it
10 very unfortunate, and we are opposed.

11 The Chairman. I do not know whether Treasury can comment on
12 this or not, but there is not any doubt in my mind, if this were
13 the judgment of the Congress, the President would veto it. Can
14 Treasury give us some indication what the likelihood would be in
15 that regard?

16 Mr. Lubick. I think it would be a very serious matter, as
17 far as the President is concerned. He is firmly determined to
18 bring the budget into balance as early as possible and this would
19 very seriously affect it. He is very seriously concerned with
20 inflation and anything that is going to make that complicated,
21 I think that he is going to consider seriously vetoing.

22 I do not think we specifically asked him about this point,
23 but I think the indication is presumably correct.

24 The Chairman. That is the part of what concerns me about
25 pursuing this course. It seems to me if we do it, we would be

1 back here after the President has had a chance to pass judgment
2 on it, and starting all over again. If I had any indication
3 that the President would go along with this, or sign it, I would
4 feel somewhat different about it. My judgment is that he will
5 veto the bill.

6 There is also this problem involved -- up until now, we have
7 been taking the view that when the time comes you will know a lot
8 better what the level of spending ought to be than you do when
9 you are looking at it two, three years down the road. We can know
10 better what the demands and requirements of the economy are going
11 to be when we look at it far in advance.

12 I never thought I would have a Republican President asking
13 me to vote for the kind of deficit that we had a few years ago --
14 a \$60 billion deficit -- but Gerald Ford called me and asked me
15 to support it because the country was in bad economic shape and
16 was headed for a worse shape. I do know if we can anticipate that
17 I doubt that we can, what the economic conditions of the country
18 are going to be three, four years from now.

19 That being the case, I am inclined to think that we cannot
20 safely make those very large tax cuts unless we plan to retreat
21 from it when the time comes. That being the case, I do not think
22 I could vote for it.

23 Senator Moynihan?

24 Senator Moynihan. Mr. Chairman, I would like to join Senator
25 Bentsen and yourself in commenting on the inflationary problems in

1 an otherwise attractive proposition. I would like to make the
2 point that you and I and Senator Cranston have introduced a welfare
3 measure which has, as its primary purpose, as its first impact
4 will be, a very sharp reduction in local costs for welfare, the
5 costs that are in the property budgets of half the people of this
6 country.

7 Our purpose is to get those welfare costs out of local
8 property taxes -- not a tax reduction we are talking about, but
9 if we give up all of this Federal revenue, we will not be able
10 to carry out such a tax reduction, and facilitate them.

11 I think it is the case that the great burden of taxation in
12 this country that has become the most conspicuous to people is
13 state and local government, and to the degree that the Federal
14 government gives up its revenues, it will not be able to relieve
15 any of that state and local government taxation which is the most
16 regressive, usually, and the most disproportional and something
17 we are trying to do, and I think we should retain the capacity to
18 do it.

19 The Chairman. Senator Roth?

20 Senator Roth. Mr. Chairman. number one, it is not my feeling
21 that what we do here, in the Finance Committee or in the Congress,
22 which is the policymaking branch of the government, should be
23 determined by whether or not the President will sign it. For
24 example, in the case of capital gains, he actually proposed increased
25 capital gains rather than lower, and we are moving in another

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1 direction. And, I would think, and say, from past experience that
2 the President has shown, on occasion, that he is very flexible
3 and I do not think that anybody can say with certainty whether or
4 not he will sign it, but irrespective of that, I would say that
5 the criterion should be, what is right for America and the American
6 people, and that is the direction in which we should move.

7 Mr. Chairman, I listened to the statements made in opposition
8 with all due deference and respect and love and warmness. They
9 are nothing new. They are saying, let's continue to tinker, but
10 let's not take any bold, new steps to put this country in a new
11 direction.

12 Senator Bentsen referred to a number of economists. Some of
13 these economists are very enthusiastically in support of the
14 Roth-Kemp. I talked to Mr. Stein. I have talked to Mr. Greenspan.
15 They all think that this approach is of critical importance to the
16 healthy growth of this economy. They say that what we are
17 suggesting is not a one-year, short-term tinker tax, but what we
18 are trying to do is give an important signal long-term.

19 In three years, help create certainty in planning as opposed
20 to this year by year stumbling along, and the Chairman is absolutely
21 right. When you make a plan now, you do it on the best economic
22 facts available, and if something is very substantially changed in
23 the future, that does not rule out that a change could be made.

24 But what we need in the private sector today, whether a lack
25 of confidence both on the part of business and individuals

1 generally, we need to create some certainty and some confidence.

2 I do not believe, in all due respect, that we are going to
3 do it with what we are talking about, either in this Committee or
4 on the House side. I go back again and I say this with all
5 seriousness, that I think that the average American is going to
6 see themselves ripped off again, that we will adopt measures --
7 good measures -- to help those on the low end of the economic
8 scale, measures to help capital gains -- good measures, which I
9 strongly support, to help capital formation.

10 But, once again, when it comes to talking about doing some-
11 thing for working America, whether he makes \$15,000, \$30,000 or
12 \$40,000, well, it is just too bad, boys and girls. You are going
13 to have to absorb substantial tax increases. I hate to see us
14 adopt a package which looks like it helps the rich and the poor
15 but does nothing for those in between.

16 For that reason, I would urge the adoption of the Roth-Kemp
17 amendment.

18 The Chairman. Your time has expired.

19 Are there any more statements against the Roth-Kemp amend-
20 ment? I will recognize Senators to make those statements.

21 I think the case has been pretty well made for both sides.
22 The Clerk will call the roll.

23 Mr. Stern. This is on the three year, 8 percent, then 10
24 percent, and then 15 percent.

25 Mr. Talmadge?

- 1 Senator Talmadge. No.
- 2 Mr. Stern. Mr. Ribicoff?
- 3 The Chairman. No.
- 4 Mr. Stern. Mr. Byrd?
- 5 Senator Byrd. No.
- 6 Mr. Stern. Mr. Nelson?
- 7 Senator Nelson. No.
- 8 Mr. Stern. Mr. Gravel?
- 9 Senator Roth. I have a proxy for Mr. Gravel; he votes yes.
- 10 Mr. Stern. Mr. Bentsen?
- 11 Senator Bentsen. No.
- 12 Mr. Stern. Mr. Hathaway?
- 13 (No response)
- 14 Mr. Stern. Mr. Haskell?
- 15 (No response)
- 16 Mr. Stern. Mr. Matsunaga?
- 17 (No response)
- 18 Mr. Stern. Mr. Moynihan?
- 19 Senator Moynihan. No.
- 20 Mr. Stern. Mr. Curtis?
- 21 Senator Curtis. Aye.
- 22 Mr. Stern. Mr. Hansen?
- 23 Senator Hansen. Aye.
- 24 Mr. Stern. Mr. Dole?
- 25 Senator Dole. Aye.

1 Mr. Stern. Mr. Packwood?

2 Senator Packwood. Aye.

3 Mr. Stern. Mr. Roth?

4 Senator Roth. Aye.

5 Mr. Stern. Mr. Laxalt?

6 Senator Laxalt. Aye.

7 Mr. Stern. Mr. Danforth?

8 Senator Danforth. Aye.

9 Mr. Stern. Mr. Danforth?

10 Senator Danforth. No.

11 The Chairman. Did you record Senator Haskell?

12 Mr. Stern. Senator Haskell is not recorded.

13 The Chairman. I have his proxy. He votes no. I have a
14 proxy here from Senator Hathaway to vote no.

15 Senator Bentsen. Did you call Senator Matsunaga?

16 Mr. Stern. I did not have Senator Matsunaga recorded.

17 The Chairman. We will have to find how he wants to vote
18 and record him.

19 The yeas are Mr. Gravel, Mr. Curtis, Mr. Hansen, Mr. Dole,
20 Mr. Packwood, Mr. Roth, Mr. Laxalt and Mr. Danforth.

21 The nays are Mr. Talmadge, Mr. Ribicoff, Mr. Byrd, Mr. Nelson,
22 Mr. Bentsen, Mr. Hathaway, Mr. Haskell, Mr. Moynihan and the
23 Chairman; Mr. Matsunaga not voting.

24 Eight yeas, nine nays. The motion does not carry even if
25 Mr. Matsunaga did vote, it would fail on a tie vote. I would

1 like to ask that Senator Matsunaga be contacted and we obtain
2 from him an expression of his view on the subject.

3 Senator Nelson. Was Mr. Ribicoff recorded?

4 The Chairman. I have a proxy from him. I assume when he
5 gave me the proxy to vote him that he would vote the same way I
6 would vote.

7 Senator Roth. Mr. Chairman, I would ask that we have a vote
8 on a four-year phase-in of the Roth-Kemp at 8 percent each year
9 for the four years. Again, I would just like to point out, in
10 the short range, that the 8 percent, what we do here this year, is
11 in the limitations established by the Budget Committee and that,
12 long-term, that I would think taking this step would bring some
13 discipline on the spending side as well.

14 Mr. Stern. Mr. Talmadge?

15 Senator Talmadge. No.

16 Mr. Stern. Mr. Ribicoff?

17 The Chairman. No.

18 Mr. Stern. Mr. Byrd?

19 Senator Byrd. No.

20 Mr. Stern. Mr. Nelson?

21 Senator Nelson. No.

22 Mr. Stern. Mr. Gravel?

23 (No response)

24 Mr. Stern. Mr. Bentsen?

25 Senator Bentsen. No.

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1 Mr. Stern. Mr. Hathaway?

2 The Chairman. No.

3 Mr. Stern. Mr. Haskell?

4 The Chairman. No.

5 Mr. Stern. Mr. Matsunaga?

6 (No response)

7 Mr. Stern. Mr. Moynihan?

8 Senator Moynihan. No.

9 Mr. Stern. Mr. Curtis?

10 Senator Curtis. Aye.

11 Mr. Stern. Mr. Hansen?

12 Senator Hansen. Aye.

13 Mr. Stern. Mr. Dole?

14 Senator Dole. Aye.

15 Mr. Stern. Mr. Packwood?

16 Senator Packwood. Aye.

17 Mr. Stern. Mr. Roth?

18 Senator Roth. Aye.

19 Mr. Stern. Mr. Laxalt?

20 Senator Laxalt. Aye.

21 Mr. Stern. Mr. Danforth?

22 Senator Danforth. Aye.

23 Mr. Stern. Mr. Chairman?

24 The Chairman. No.

25 Senator Roth. Mr. Chairman, I have a proxy for Mr. Gravel.

1 I vote him aye.

2 Senator Moynihan. Mr. Matsunaga has arrived.

3 Mr. Stern. Mr. Matsunaga?

4 Senator Matsunaga. No.

5 Senator Roth. I am sorry that you came.

6 The Chairman. I have the proxy of Senator Ribicoff. "This
7 authorizes you to exercise my proxy, and I am in opposition to
8 the Roth-Kemp proposal," so that it is specific. Eight yeas, and
9 ten nays.

10 Senator Curtis. Mr. Chairman, would it be in order to suggest
11 a rule that a Senator present and voting can be counted a little
12 more than a proxy? I think they should have a bonus for being
13 here.

14 Senator Roth. Mr. Chairman, as a final vote, what I propose
15 is that we take the first two years of the four-year phase-in --
16 that would be 8 percent in two successive years. The reason I
17 propose this as a further alternative is that if you look upon
18 the chart up there, it shows that e-ery working American at
19 practically every level of income has suffered substantial tax
20 increases in both '78 and '79. And it seems only appropriate
21 that we take action now as we enter, or get close, to calendar
22 year '79, to give a two-year tax cut to offset the increase in
23 Social Security taxes and inflation.

24 I would ask that we vote.

25 The Chairman. Let me say this. I personally would like to

1 consider it, and I wish in this Committee we could vote to
2 completely offset what your side calls taxflation, or inflation
3 because of the tax increases that relate to the ravages of
4 inflation. We are simply not allowed enough slack in the budget
5 to do that, and in view of the fact that we do not have that much
6 revenue, we cannot do it in this bill for the inflation that has
7 occurred up to this point.

8 So, at some point, we will have to think in terms of working
9 with the revenue that we have available to us.

10 That being the case, for the time being, we do not have that
11 much money.

12 Senator Roth. Mr. Chairman, what I am proposing is only 8
13 percent for the current year to be succeeded by 8 percent the
14 following year, so that it would be within the budget restraints
15 this year.

16 The Chairman. Not the following year.

17 Senator Roth. No, it would be the next year.

18 The Chairman. Right.

19 Call the roll.

20 Mr. Stern. Senator Talmadge?

21 Senator Talmadge. No.

22 Mr. Stern. Mr. Ribicoff?

23 The Chairman. No.

24 Mr. Stern. Mr. Byrd?

25 Senator Byrd. Aye.

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1 Mr. Stern. Mr. Nelson?
2 Senator Nelson. No.
3 Mr. Stern. Mr. Gravel?
4 Senator Roth. Aye.
5 Mr. Stern. Mr. Bentsen?
6 Senator Bentsen. No.
7 Mr. Stern. Mr. Hathaway?
8 The Chairman. No.
9 Mr. Stern. Mr. Haskell?
10 The Chairman. No.
11 Mr. Stern. Mr. Matsunaga?
12 Senator Matsunaga. No.
13 Mr. Stern. Mr. Moynihan?
14 Senator Moynihan. No.
15 Mr. Stern. Mr. Curtis?
16 Senator Curtis. Aye.
17 Mr. Stern. Mr. Hansen?
18 Senator Hansen. Aye.
19 Mr. Stern. Mr. Dole?
20 Senator Dole. Aye.
21 Mr. Stern. Mr. Packwood?
22 Senator Packwood. Aye.
23 Mr. Stern. Mr. Roth?
24 Senator Roth. Aye.
25 Mr. Stern. Mr. Laxalt?

1 Senator Laxalt. . .Aye.

2 Mr. Stern. Mr. Danforth?

3 Senator Danforth. Aye.

4 Mr. Stern. Mr. Chairman?

5 The Chairman. No.

6 Nine nays, nine yeas. The motion fails on a tie.

7 Senator, I suggest you offer this on the Floor. I have no
8 doubt that you will.

9 Senator Roth. Mr. Chairman, you presume correctly. I would
10 ask that the Committee would support me in the right to have a
11 vote up or down on this legislation on the Floor for the very
12 cogent reasons spelled out by the Chairman earlier.

13 The Chairman. As far as I am concerned, Senator, I will
14 support your right to have a vote on the Floor. I cannot speak
15 for everybody else.

16 Senator Bentsen. Mr. Chairman, I would support that proposal,
17 to get a vote on it. I think he is entitled to that.

18 Senator Roth. I thank the distinguished members of the
19 opposition. I will try to persuade them in the meantime.

20 The Chairman. As far as the members of this Committee are
21 concerned, we are in good shape. We will support you in that.

22 Suppose you go ahead and tell us about the rate increase?

23 Senator Byrd. Mr. Chairman?

24 The Chairman. Yes.

25 Senator Byrd. May I make a brief statement?

1 The Chairman. Senator Byrd.

2 Senator Byrd. I firmly believe that there is a need to revise
3 extensively our current welfare system. I have stated before and
4 will repeat that I believe that we need to encourage people to
5 work rather than receive welfare benefits.

6 Expansion of the earned income credit, which was tentatively
7 approved by the Finance Committee last Thursday, was presented to
8 the Committee as just such a proposal.

9 Before we act to adopt this proposal in final form, we should
10 examine in closer detail whether it accomplishes its objective
11 and whether now is the time to take such action.

12 In reporting the Committee's tentative approval, the Washington
13 Post described the decision as an "unprecedented action." This
14 is accurate, because instead of focusing upon individual and
15 business tax reductions, the Committee tentatively approved a
16 supplementary welfare program.

17 I question the wisdom of the Committee embarking upon welfare
18 revisions in the context of a tax reduction bill.

19 The proposed revisions in the earned income credit do not fit
20 in the category of tax reductions. They are an extensive departure
21 from House action on the earned income credit.

22 The House made the earned income credit permanent and made
23 certain revisions in it. The estimated cost of the House's action
24 was \$17 million. The Senate Finance Committee proposal goes much
25 further at a cost of \$1.8 billion.

1 When we look at past efforts at welfare revision, it becomes
2 evident that the earned income credit proposal fits into a welfare
3 reform program. The Committee action would give a cash benefit to
4 persons who pay low taxes.

5 Recently, several Senators have indicated that a key element
6 of welfare reform is the negative income tax concept embodied in
7 the earned income tax credit.

8 I have characterized the proposal as a supplemental welfare
9 program. I believe this is correct, since it would not replace
10 existing food stamp, Aid to Families with Dependent Children or
11 housing subsidy programs. The Senate proposal to increase the
12 earned income credit would come along with these programs, even
13 though welfare may be reduced as the credit is provided.

14 All that would be required to receive the credit would be
15 that a parent maintain a household for a child who is either
16 under 19 or a student and earn less than \$12,000. It is not
17 required that the claim the child as a personal exemption, for
18 example.

19 The earned income credit is in addition to other welfare
20 benefits. I question its ability to achieve the objective of
21 encouraging welfare recipients to work.

22 Instead of providing for comprehensive welfare revisions,
23 the current income credit, which we are now discussing, is an
24 additional welfare benefit. If a person works and receives less
25 than \$12,000 in income, he receives the credit along with welfare

1 benefits he may already receives. If he chooses not to work, he
2 continues to receive welfare benefits.

3 While \$12,000 in income may not seem much to some in Washing-
4 ton, to many people it is a significant income level. Many
5 hard-working middle-income taxpayers will certainly wonder why we
6 are giving additional welfare benefits to those earning up to
7 \$12,000.

8 Furthermore, the credit does not work fairly for all workers.
9 Take, for example, two workers each earning an identical income of
10 \$6,000 per year. They are paid on a monthly basis, \$500 per month.

11 Under present law, the income tax withholding for one worker
12 who is married but has no children is \$6. The same worker who is
13 married and has two children would have nothing withheld.

14 Under the Committee proposal, worker number one would continue
15 to have \$6 a month withheld. However, the second worker would
16 receive a monthly payment of \$50.

17 Now, suppose that each of these workers receives a raise
18 and begins to earn \$700 per month. Under present law, the married
19 worker with no children would have approximately \$40 withheld
20 from his monthly paycheck. This would not change under the
21 earned income credit. The worker with two children under the
22 earned income credit instead of having additional monies withheld
23 from his paycheck, would now receive an additional \$22.

24 While workers with families may be ecstatic over this new
25 benefit, I doubt if workers without children would think we have

1 done them any favors as far as tax reductions are concerned. It
2 is evident that the earned income credit creates the potential
3 for conflict between workers. Also, employers will be faced
4 with a new set of withholding tables for workers with children.

5 Additional paperwork will also be required to deal with the
6 negative withholding procedures. Workers incomes may vary during
7 the year. In the early part of the year, workers may have a higher
8 income than later in the year. Problems in adjusting the credit
9 to meet wage fluctuations will surely occur.

10 While the administrative problems of the earned income credit
11 are not insurmountable, they do add additional complexity and
12 confusion in the tax law.

13 In summary, I feel this is not the time, nor the bill, on
14 which to expand the earned income credit program, and I think the
15 Committee should accept the House proposal in regard to the
16 earned income credit.

17 I thank the Chairman for allowing me to make this statement.

18 The Chairman. Let me ask about this matter. I understand
19 there was a change made in this provision at a time when I had
20 to leave to go to another commitment. Can you tell me what was
21 the change that was made in the earned income credit? The last
22 section, or at some point when this was voted on and I was not
23 here. I want to know what that was.

24 Mr. Shapiro. You are talking with respect to the disregard?

25 (Pause)

1 Senator, I think I know what you have reference to. I
2 think Senator Matsunaga suggested a provision where the applica-
3 tion of the earned income credit in certain cases -- there was a
4 question the way it would apply in certain cases. Senator
5 Matsunaga proposed an amendment to the Committee to correct a
6 problem. The Committee agreed to it, and you may not have been
7 at the session. It passed the Senate Floor, and then the Internal
8 Revenue Service took the problem into account in regulations and
9 corrected it, and that provision was dropped and then went to the
10 President because it had been corrected internally in regulations.

11 That is the only matter I know about.

12 The Chairman. I believe it had to do with one of the points
13 that Senator Byrd had in his statement.

14 Let me just say this. My thought is that the earned income
15 credit should be something that moves people off the welfare rolls.
16 It should not be an additional welfare benefit.

17 Senator Moynihan. Mr. Chairman, I wonder if you are refer-
18 ring -- I believe you were out of the room for a moment when we
19 agreed, when we took this up, that for purposes of calculating
20 any welfare entitlement, the earned income credit would be
21 regarded as income.

22 The Chairman. I was here when we agreed to that. In fact,
23 I was explaining that.

24 It may be I am told that there was a minor change -- maybe a
25 major change that was agreed to at the time that I was out of the

1 room, and I want to check into that and see what it was.

2 But speaking to the earned income credit, as I understand
3 it, this was based on the theory in the beginning that if a
4 family with dependent children was not making enough money to pay
5 enough income tax that there was a serious question whether you
6 should be charging that family a Social Security tax in the view
7 of the fact that you were taxing that family into poverty by doing
8 so.

9 So the general philosophy in the beginning was that if you are
10 not making enough money to pay an income tax, we should consider
11 giving you some relief on taxes you are paying or taxes you are
12 absolving by ways of Social Security.

13 On that basis, we felt that the earned income tax credit, it
14 would be a far preferable thing -- in effect, tax people into
15 poverty. If we were doing that, we would not need a welfare
16 program, as far as they were concerned.

17 That appeals to me. I hope we can keep it that way.

18 This Committee also recommended, long before it became law,
19 that that concept then -- the concept in the House bill, the jobs
20 credit to encourage the employer to hire these people, because
21 otherwise they would be without a job. We will be working on that
22 in this bill.

23 The earned income credit was suggested by this Committee on a
24 welfare bill. It was also suggested by this Committee on a tax
25 bill. We had the argument by Mr. Simon, when we took it to

1 Conference on a tax bill that it ought to be on a welfare bill.

2 While we are taking the view that it is a revenue item, and
3 it ought to be considered on a revenue bill, but in view of the
4 fact that it became law as a part of the tax bill, at which point
5 the House Committee finally gained religion and agreed -- we took
6 the view that we could do it whenever we thought it appropriate.

7 This is a tax bill. It has been criticized as being a tax
8 bill that is out of balance in that it does more for some people
9 than it does for others. It does improve the balance of the bill
10 to go beyond what the House did with the earned income credit, and
11 I hope that the Committee will not retreat from that position.

12 In fact, I would be dismayed -- I have to fight for it on the
13 Floor -- if the Committee did see fit to say no, I am sorry, we
14 are going to insist that this should not be done, that this has
15 to be on a welfare-reform bill.

16 We did not require that when we enacted it, and I think it
17 would be a backwards step to take the view that we can only act on
18 that when we are voting on a welfare reform bill and not on a
19 tax bill.

20 The tax credit does rely on the theory that these people are
21 paying taxes other than income tax, and we are seeking to give
22 them some relief from that, and they do. As consumers, they are
23 absorbing every nickel of that Social Security tax. All the
24 economists agree that the employer is passing that along in the
25 price of the product, and these people are spending any nickel they

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1 earn so they are absorbing it as a consumer, and they are paying
2 for the Social Security tax.

3 When we do manage to do something that is applauded, for the
4 benefit of the low-income people, I will hope that we will not
5 retreat from it, although I certainly respect the Senator's right
6 to object to it.

7 Do you want to vote on it now, Senator?

8 Senator Curtis. May I be heard?

9 The Chairman. Yes.

10 Senator Curtis. I would like to have the record show that
11 I endorse and concur with what the distinguished Senator from
12 Virginia has said. I may be lacking in attentiveness, but I was
13 not clear in my mind that we even informally agreed to this the
14 other day. I did not know about that. I regarded the discussion
15 more or less as exploratory as to the various aspects of the pro-
16 posal.

17 However, this Committee and the Chairman in particular, has
18 always been very gracious about considering these matters and
19 having votes to clarify, so I have no objection to that. But I
20 do think that, in the interests of orderly procedure, I would
21 so request when we get through with discussing it today that we
22 have a roll-call on it.

23 I was not sure.

24 The Chairman. I intend to have a roll call on it. That is
25 right, we did not have a roll call. I would hope that our friends

1 over on the Republican side are not going to give us a party-line
2 vote against the poor.

3 Senator Bentsen?

4 Senator Bentsen. Mr. Chairman, I understand the Chairman's
5 concern here. Procedurally, as I understood what we were doing,
6 we were making some tentative decisions with the idea that when
7 we got all through that there might, because of some limitations
8 in the budget, there may be some adjustments on various portions.
9 Is that not correct?

10 The Chairman. Nobody is locked in on anything, even on the
11 Roth-Kemp amendment we voted on here. If they want to change
12 their mind, we can even do that.

13 It may have been premature for the media to conclude that
14 nobody objected.

15 Senator Bentsen. Do not misunderstand me. I believe we
16 adopted it in principle. The question was, finally, when we get
17 all through with the various things we want to do here that there
18 may be some fine-tuning of the amounts involves in various proposals.

19 The Chairman. Sure, or anything in the bill, even the part
20 we have agreed to. It is all subject to being amended and until
21 we finally report the bill, the Senators can change any of it.

22 Mr. Shapiro. As I recall, the discussion with respect to
23 the figures -- we were talking about how to allocate the amount
24 that was made available to the Committee or anticipated to the
25 Committee by the Budget Committee with respect to individual cuts.

1 You had two alternatives, one is to do it all by rate cuts
2 or by, alternatively, do it by the alternative credit and rate
3 cuts. Senator Moynihan's proposal to add \$1.8 billion of the
4 individual part of the earned income credit and the Committee
5 tentative approved that, to instruct staff to put the other \$2
6 billion in rate cuts and bring that to the Committee today,
7 suggested ways to have that \$2 billion reflected in the rate cuts.

8 So it was a tentative decision for purposes of the rate cut
9 adjustments which we are bringing back.

10 Senator Hansen. Mr. Chairman?

11 The Chairman. Yes.

12 Senator Hansen. Mr. Chairman, first let me applaud you for
13 understanding the need to encourage people to work and to give
14 particular encouragement to people whose income are low; in so
15 far as that particular segment of the work force is concerned, your
16 proposal would be helpful. I cannot escape the conviction, none-
17 theless, that the mechanical difficulties in trying to treat fairly
18 workers who are performing the same job and who have varying numbers
19 of dependents would be treated differently in so far as the total
20 overall tax impact is concerned.

21 I know a few weeks ago you spoke about a book that you had
22 graciously given each member of this Committee authored by
23 Marvin Anderson whose welfare credentials and understanding is
24 pretty impressive, pointing out that if you add to the present
25 benefits that society offers to those on welfare -- Medicare and

1 Food Stamps and rent supplements and the other helps that are
2 given -- Mr. Anderson pointed out that only 3 percent of the
3 population really today falls below the poverty line.

4 It is a complicated thing, trying to address the problem, and
5 I share your great interest in trying to address the problem, but
6 it is a difficult thing to try to do it with a system as complica-
7 ted as the tax system is on the one hand and welfare is on the
8 other.

9 While I will vote against the proposal, I want to have it
10 understood that I think there is real merit for exploring it and
11 seeing if it can be fine-tuned so as to obviate some of the diffi-
12 culties Senator Byrd has called attention to and wind up with the
13 result that would treat everyone more fairly than I think that this
14 might.

15 Senator Dole. Mr. Chairman?

16 The Chairman. Mr. Dole.

17 Senator Dole. In response to what Senator Byrd has said and
18 the Chairman has said, there were some of us who understood that
19 there was tentative agreement and at the appropriate time we
20 could offer amendments to whatever might have been tentatively
21 approved, or a motion to eliminate it altogether, because there
22 is some focus on trying to really help those in low income areas
23 that would modify the tentative agreement. We have been working
24 on one that would provide a 15 percent credit on \$4,000 and
25 phase it out at \$8,000 which would cost less than the one adopted,

1 but would really provide more relief at the lower end, if that
2 is what we are truly concerned about.

3 It is not that we are lined up, but we are trying to determine
4 how far we are going to expand this, if you want to go to \$12,000
5 or keep it within some limit and offer real relief in that \$8,000
6 category.

7 The Chairman. Senator Moynihan?

8 Senator Moynihan. May I make the point that this is not a
9 program for the poor. It is for working people with low incomes
10 who have dependents.

11 Senator Dole. But they can get up to 50 percent welfare
12 benefits.

13 Senator Moynihan. Most of these people are not getting wel-
14 fare benefits. I think almost none of them are. We are talking
15 about a quarter of the American families with children who will
16 get no benefit out of this tax bill at all unless we take this
17 action -- a quarter of all of the families with children are covered
18 by the tentative agreement we reached the other day.

19 This does not have to do with the 3 percent talked about
20 by Martin Anderson. This talks about a quarter of the families
21 with children.

22 Senator Dole. You can get up to 50 percent welfare and still
23 be eligible for this. Is that correct?

24 Mr. Stern. One, you have to be providing at least 50 percent
25 of support of your children. If welfare is providing more than

1 50 percent of the support of the children, you are not eligible
2 for this benefit.

3 Senator Dole. Welfare could support up to that amount.

4 Senator Moynihan. If the Senator would allow me, this is not
5 a welfare measure. This has to do with the taxes on working people
6 who are maintaining families and one of the problems that Senator
7 Long said, we do not want to tax them into poverty. These are
8 people working at a minimum wage and a lot of them -- all of them --
9 if they are going to get anything out of this tax bill, with all
10 respect to Senator Roth -- and he will understand me -- it would
11 not have been possible for his measure to provide much assistance
12 for these families because they are not in those taxable ranges,
13 but they still pay all kinds of things like Social Security and
14 this is what this is all about.

15 The Chairman. I would like to take a good look before we
16 finally report on this, on this provision that says that they must
17 be providing up to 50 percent of the support of their children
18 to be eligible. It may be that perhaps they ought to say that
19 they cannot be drawing any cash benefits at all.

20 I would think that because the food stamps serve a lot more
21 people on there than some of us ever thought that we were voting
22 to put on, that in regard to food stamps, we say that they could
23 be getting some food stamps and still have some benefit. Perhaps
24 we can work this out, that we all can agree on where the line
25 ought to be, when someone is on welfare and when they are not.

1 I personally came into this thing feeling that this ought to be
2 something that tends to keep people -- that this was for the
3 purpose of keeping people off welfare, not for making them
4 eligible for it, and I would hope that with the jobs credit we
5 can work together so that, in very few cases, if any, that we
6 have anyone drawing cash benefits in addition to being hired for
7 one of these jobs. That is a difficult problem.

8 I favor the general concept.

9 Incidentally, between what you are talking about -- a 15
10 percent credit geared to a lower figure income and phased out at
11 a sharper point, that might be a better way to do it. I would
12 be glad to consider it.

13 I do think that it is good to have this approach, that we
14 will look at all the taxes that the taxpayers absorb, when we
15 think how much we want to tax this fellow and how much of a break
16 we want to give him for taxes that he is paying so that we would
17 hope to reduce the welfare rolls by having a tax law which takes
18 that into consideration.

19 Senator Matsunaga. Mr. Chairman, I think the point that
20 should be stressed, as I understand it, your proposal would
21 tend to keep those who are now working on the job, continue to
22 work, and that is very important, because there has been so much
23 talk about people doing better, being on welfare, and not working
24 than working.

25 And I think that this is a step in the right direction. At

1 least it would keep those who are now working on the job. It would
2 not be profitable for them to get off the payrolls and get on
3 welfare completely. That is one point.

4 The second point that I wish to make, the House bill has
5 been very much criticized for favoring the upper-middle and the
6 higher income brackets and I think that this would tend to de-
7 emphasize that.

8 Senator Hansen. Just one question, Mr. Chairman. I was not
9 clear on this.

10 Is it intended that the people who would be recipients of
11 this kind of tax relief might choose to quit working altogether
12 and go on welfare if we do not pass it? I did not understand
13 that.

14 Senator Matsunaga. The incentive that this proposal would
15 give by an additional earned income tax credit would give incen-
16 tive to those who are on the job to continue to work and stay on
17 the job.

18 Senator Hansaen. I would agree with that but, conversely,
19 is it seriously contended that significant numbers of people now
20 working would quit their jobs? I did not understand that.

21 Senator Matsunaga. The fact is, as the Senator well knows,
22 one of the biggest complaints against our welfare program is that
23 many of them find themselves in a better position not to work than
24 to work.

25 Senator Hansen. We proved that in Nixon's welfare proposal

1 which I objected to and helped defeat, that it would have done
2 precisely that. I did not think that was an issue here.

3 Senator Matsunaga. I think it is. If you provide incentives
4 now for those who may be on the fringe to continue to work, then
5 we have accomplished a lot.

6 Senator Dole. I think there was a statement made that there
7 is nothing in the tax bill for low-income people, and we have
8 increased the personal exemption. If they pay tax, that is
9 certainly going to help. We have increased the zero bracket.
10 There is an increase in the rate brackets -- even a further
11 increase in those -- so that I think that there are provisions that
12 are helpful.

13 But I would hope that the staff might address -- if we are
14 truly concerned about helping low-income people, that maybe the
15 suggestion that the 15 percent credit at \$4,000 phased out at
16 \$8,000, before we make any final decision, maybe we could at least
17 check into that.

18 The Chairman. We ought to take a good look at that. Let me
19 state my view on this thing.

20 I think that we ought to try to work with these programs.
21 We have several of them -- we do not have them all. We have the
22 Social Security program. We have the Public Welfare program. And
23 we have the tax program in this Committee. We ought to use our
24 influence.

25 We also have the good fortune of having some very able people,

1 like Senator Talmadge and Senator Dole, who are on the Agricul-
2 ture Committee which has food stamps. They are on this Committee
3 also.

4 We ought to use the best judgment that we can of trying to
5 work out a mix of these programs in such a fashion that the option
6 to work is far more attractive than the option not to work. I
7 do not like the idea of working to a solution where you look at
8 the way it works out between two people, the way it was -- Senator,
9 you were here when John Wheeler brought all of those charts in.
10 There was no incentive for people to take a job at all if they
11 could get the housing allowance, the public housing, as well as
12 the cash benefits. They would be better off on welfare.

13 Senator Hansen. If you will let me interrupt for a moment.
14 As Senator Williams so successfully pointed out, there were parts
15 of that program, if you were to become a better workman, more
16 valuable workman, and received an increase in compensation, you
17 actually suffered a net loss in total income because of the
18 higher tax.

19 The Chairman. I would hope that we would look at the various
20 alternatives that Senators can suggest and, in due course, vote
21 on this matter. For the time being, we would do well to consider
22 what other alternatives that the Senators might have and maybe
23 our staff can give us some additional information to show how
24 this comparison works out.

25 The 15 percent rate, the \$8,000 phase-out, when we get into

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1 the marginal tax -- you should give us a chart where it shows
2 where a person stands who is getting food stamps, a cash benefit
3 and a housing allowance and compare that to where he stands when
4 he takes a job and try to make it more attractive to take a job
5 than receiving benefits.

6 If you get to where the marginal tax rate is well above
7 50 percent, it is very discouraging for people to take a job.
8 How about telling us now about this suggested rate schedule that
9 we have here?

10 Again, let me say, Senators, there is no desire to lock you
11 in on any of this, but if you decide you would like to do this,
12 this is one way that we could work it out.

13 Mr. Shapiro. Based on the tentative agreement the Committee
14 made last week, the instructions to the staff were to put approxi-
15 mately \$2 billion into additional rate reductions. We have done
16 that and that is the long sheets before you -- tables 1 and 2 --
17 and you will see the effects on a single person, a married couple,
18 and a married couple with two dependents.

19 The first column will show you the House bill and the
20 second column in each case --

21 Senator Curtis. Table 1?

22 Mr. Shapiro. Table 1.

23 In each case, it will show you the effect of the increased
24 tax reductions in respect to a taxpayer in the various brackets.
25 The far lefthand column will show you a typical taxpayer making

1 \$3,000, then \$5,000, \$8,000 all the way up to \$40,000, and you
2 will see the effects-- this is in dollars. For example, someone
3 earning \$5,000 and a single person, the House bill reduces their
4 taxes by \$21 and the proposed rate reduction would reduce the
5 taxes of that individual by \$27.

6 The rate schedule is on Table 2, but this will give you some
7 indication as to effects. This only includes rate reductions
8 and it assumes the earned income credit that you tentatively
9 approved last Thursday, but it does not take into account any of
10 the changes and does not take into account specifically the
11 capital gains taxes or itemized reductions.

12 The Chairman. What you are showing here, you have another
13 little chart here that shows in terms of rates, how much the
14 rate cuts would be. I take it on the rate cuts you are talking
15 in terms of millions of dollars on that righthand column, is that
16 right?

17 Mr. Shapiro. That is correct.

18 What Senator Long has reference to is a single piece of
19 paper that was recently passed out that shows you the breakdown
20 per class and that is in millions of dollars -- what I just
21 referred to is on individual taxpayers showing the dollar effect
22 in a specific case. This shows you the aggregate and it shows
23 you that there is approximately 3.7 -- this is the 1978 level.
24 It is right off the computer, and up to '79 it would be 3.8 that
25 the Committee instructed the staff to bring back.

1 You see the distribution of the earned income credit and
2 the rate cuts, and you see that this is over and above the House
3 bill.

4 The proposal would retain the tax cuts provided in the House
5 bill and these would be the additional rate cuts above those
6 levels.

7 Senator Byrd. What is that?

8 Mr. Shapiro. The single sheet that was just passed out.

9 Senator Byrd. If I could ask you a question about Table 1,
10 does that take into account the earned income?

11 Mr. Shapiro. Yes, it does.

12 The tentative agreement you made last Thursday, it includes
13 that plus the additional rate cuts that are approximately \$2
14 billion, and focusing more on the lower and middle income levels.
15 There are no additional cuts in the rate schedules for taxpayers
16 above \$50,000.

17 Senator Curtis. If I may ask a question, this chart that
18 shows in the millions of dollars, the first column the total,
19 \$148 million would go to those under \$5,000 income.

20 What is expanded income class?

21 Mr. Shapiro. Expanded income includes suggested gross
22 income plus tax preferences and the tax preference is defined
23 under minimum tax.

24 Senator Curtis. Those lower brackets, that would be adjusted
25 gross income?

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1 Mr. Shapiro. Generally speaking, that would be the case.
 2 Senator Curtis. \$148 million to those under \$5,000 and
 3 \$1.665 billion to those between \$5,000 and \$10,000 would make a
 4 total of \$1.816 billion that would go to taxpayers making less
 5 than \$10,000.

6 Mr. Shapiro. Keep in mind this is above the House bill.
 7 The House bill was tailored to the middle-income levels and one
 8 of the instructions to the staff was to put the additional money
 9 in your version down to a lower level. So this is on top of the
 10 House bill that puts very little of those levels.

11 Let me make another observation, which may be helpful when
 12 you talk about that first bracket between 0 and \$5,000, a married
 13 couple would not pay any taxes at that level. For example, the
 14 bill has a \$3,400 standard deduction and each spouse would get
 15 a \$1,000 personal exemption, so \$3,400 plus a \$1,000 personal
 16 exemption for every child would give you \$5,400 so a married
 17 couple would not pay any taxes below \$5,000 on the proposal.

18 The essential relief in the proposal would come for single
 19 people or for a married couple who has a child and would get a
 20 refundable earned income credit.

21 Senator Curtis. That \$3,400, is that constant all the way
 22 through for all taxpayers, or is that based upon the amount?

23 Mr. Shapiro. It is constant.

24 In prior law, before 1975, it used to be a variable. It was
 25 16 percent of your income, adjusted gross income. For simplicity,

1 one of the major changes you made was to make that a constant
2 figure and that has been made constant for single individuals and
3 constant for married couples filing joint returns.

4 Senator Curtis. All married couples filing joint returns --
5 what do they call this credit?

6 Mr. Shapiro. It previously was referred to as the -tandard
7 deduction.

8 Senator Curtis. That is in case they do not itemize?

9 Mr. Shapiro. Yes. Your alternative of itemizing deductions
10 or taking what was referred to as the standard deduction, which
11 under the bill is \$3,400.

12 Senator Curtis. I realize there is a burden on staff, but
13 I think it would be good to look at it.

14 Do you have a chart similar to this that shows in millions
15 of dollars the various categories for the House bill plus the
16 proposed Senate increases?

17 Mr. Shapiro. We will have that for you. The House bill is
18 not limited to just the rate reductions. It includes everything --
19 all changes, which mean the itemized deductions, capital gains
20 and everything. I think what you would like to see is on the
21 same basis only rate reductions without other individual modifica-
22 tions.

23 Senator Curtis. You would not have to weave in there capital
24 gains or anything like that.

25 Mr. Shapiro. Senator, we do have it. I do not know if you

1 have it on your desk. In the description of the House-passed
2 bill -- we will have some additional copies passed out to you.

3 On page 65, the Table 5B, if you look in that first column
4 there --

5 Senator Curtis. The column at the bottom?

6 Mr. Shapiro. At the bottom of the page, you see the column
7 that says "Tax Decrease." You see amounts in millions, liability.
8 That is the column under the House bill, and it totals up to
9 \$10.3 billion.

10 Senator Curtis. Then you could add?

11 Mr. Shapiro. You would just add the total to that. That
12 is correct.

13 Senator Curtis. That answers my question.

14 Senator Nelson. If I may ask a question, do you have the
15 Social Security tax increases to juxtapose against this?

16 Mr. Shapiro. We have those distributed to you in the sheets
17 that were distributed the first day.

18 Senator Nelson. By the same brackets, \$3,000, \$5,000, \$8,000,
19 \$10,000 and so forth?

20 Mr. Shapiro. The statistical data we passed out to you the
21 first day has it by class. Then we also passed out a burden
22 table that shows the increase for each class, the long sheet we
23 passed out the first day. You will see the Social Security
24 columns there.

25 Table 2 is the aggregate. The third column, this says

1 Social Security tax increase.

2 Senator Hansen. Where are you looking?

3 The Chairman. You are talking about the other side of the
4 sheet.

5 Mr. Shapiro. Not that one. It was a longer table that was
6 passed out on the first day, and it is in your folder that you
7 had.

8 On Table 2, in that third column, Social Security tax
9 increase, it shows the amounts in the aggregate and the tables
10 that follow that will show you the burden, so with respect to
11 taxpayers in individual cases, there is the burden.

12 Senator Byrd. As I look at these figures, exactly 50 percent
13 of the total tax credit would go to those earning \$10,000 or less.
14 Is that correct?

15 Mr. Shapiro. That is correct, Senator, and the additional
16 amount of revenue being proposed to be added to the House bill.
17 If you look on page 65 of the pamphlet, you will see that the
18 rate cuts under the House bill are directed more towards the
19 middle-income taxpayers from \$15,000 on all the way up and the
20 lion's share of the House rate cuts.

21 Senator Byrd. 50 percent of the proposed tax cut by the
22 Senate would be \$10,000 or less?

23 Mr. Shapiro. Yes. That was the instruction to the staff
24 in the material we were to bring back to you.

25 As you can see, most of that is by way of earned income

1 credit. The rate cuts go above that, but the earned income credit
2 accounts for the reduction in those levels.

3 . What the staff did was to just add on the earned income credit
4 with the tax cuts that went progressively up above that. The
5 reason for the figure of 50 percent below \$10,000 is of that
6 amount, almost all of it is the earned income credit.

7 The Chairman. It seems to me that we are not going to be
8 able to reach any more conclusions this morning, so I would
9 suggest that we meet again tomorrow at 10:00 o'clock and -- do
10 we have an agreement to vote tomorrow on the gas bill?

11 Senator Hansen. Tomorrow.

12 The Chairman. I hope on Wednesday we can work in the after-
13 noon as well as the morning.

14 (Thereupon, at 12:10 a.m., the Committee recessed, to
15 reconvene Tuesday, September 19, 1978 at 10:00 a.m.)

16 - - -